

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58249

TROUT LAKE SCHOOL DISTRICT NO. 400

Klickitat County, Washington

September 1, 1993 Through August 31, 1996

Issue Date: May 30, 1997

TABLE OF CONTENTS

	Page
<hr/> Management Section <hr/>	
Independent Auditor's Report On Compliance With Laws And Regulations At The Financial Statement Level (Plus Additional State Compliance Requirements Per RCW 43.09.260)	M-1
Independent Auditor's Report On Internal Control Structure At The Financial Statement Level	M-3
<hr/> Financial Section <hr/>	
Independent Auditor's Report On Financial Statements	F-1
Financial Statements:	
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) All Governmental Fund Types And Expendable Trust Fund - 1996	F-2
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) All Governmental Fund Types And Expendable Trust Fund - 1995	F-3
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) All Governmental Fund Types And Expendable Trust Fund - 1994	F-4
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) Budget And Actual) All Governmental Fund Types - 1996	F-5
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) Budget And Actual) All Governmental Fund Types - 1995	F-7
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances) Budget And Actual) All Governmental Fund Types - 1994	F-9
Notes To Financial Statements	F-11
<hr/> Single Audit Section <hr/>	
Independent Auditor's Report On Supplementary Information Schedule Of Federal Financial Assistance	S-1
Schedule Of Federal Financial Assistance - 1996	S-2
Schedule Of Federal Financial Assistance - 1995	S-3
Schedule Of Federal Financial Assistance - 1994	S-4
Notes To Schedules Of Federal Financial Assistance	S-5
Independent Auditor's Report On Compliance With The General Requirements Applicable To Federal Financial Assistance Programs	S-6
Independent Auditor's Report On Compliance With Specific Requirements Applicable To Nonmajor Federal Financial Assistance Program Transactions	S-8
Independent Auditor's Report On Internal Control Structure Used In Administering Federal Financial Assistance Programs	S-9
<hr/> Addendum <hr/>	
Directory Of Officials	A-1

TROUT LAKE SCHOOL DISTRICT NO. 400
Klickitat County, Washington
September 1, 1993 Through August 31, 1996

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Board of Directors
Trout Lake School District No. 400
Trout Lake, Washington

We have audited the financial statements, as listed in the table of contents, of Trout Lake School District No. 400, Klickitat County, Washington, as of and for the fiscal years ended August 31, 1996, 1995, and 1994, and have issued our report thereon dated March 12, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Trout Lake School District No. 400 is the responsibility of the district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington (RCW) 43.09.260*. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the district's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 12, 1997

TROUT LAKE SCHOOL DISTRICT NO. 400
Klickitat County, Washington
September 1, 1993 Through August 31, 1996

Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level

Board of Directors
Trout Lake School District No. 400
Trout Lake, Washington

We have audited the financial statements of Trout Lake School District No. 400, Klickitat County, Washington, as of and for the fiscal years ended August 31, 1996, 1995, and 1994, and have issued our report thereon dated March 12, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the district, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the

design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 12, 1997

TROUT LAKE SCHOOL DISTRICT NO. 400
Klickitat County, Washington
September 1, 1993 Through August 31, 1996

Independent Auditor's Report On Financial Statements

Board of Directors
Trout Lake School District No. 400
Trout Lake, Washington

We have audited the accompanying financial statements of Trout Lake School District No. 400, Klickitat County, Washington, as of and for the fiscal years ended August 31, 1996, 1995, and 1994. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the district prepares its financial statements on the cash basis of accounting prescribed by Washington State statutes and the *Accounting Manual for Public School Districts in the State of Washington*, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Trout Lake School District No. 400 as of August 31, 1996, 1995, and 1994, and the revenues it received and expenditures it paid for the fiscal years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 12, 1997, on our consideration of the district's internal control structure and a report dated March 12, 1997, on its compliance with laws and regulations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 12, 1997

TROUT LAKE SCHOOL DISTRICT NO. 400
Klickitat County, Washington
September 1, 1993 Through August 31, 1996

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Board of Directors
Trout Lake School District No. 400
Trout Lake, Washington

We have audited the financial statements of Trout Lake School District No. 400, Klickitat County, Washington, as of and for the fiscal years ended August 31, 1996, 1995, and 1994, and have issued our report thereon dated March 12, 1997. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Trout Lake School District No. 400 taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 12, 1997

TROUT LAKE SCHOOL DISTRICT NO. 400
Klickitat County, Washington
September 1, 1993 Through August 31, 1996

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Board of Directors
Trout Lake School District No. 400
Trout Lake, Washington

We have audited the financial statements of Trout Lake School District No. 400, Klickitat County, Washington, as of and for the fiscal years ended August 31, 1996, 1995, and 1994, and have issued our report thereon dated March 12, 1997.

We have applied procedures to test the district's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedules of Federal Financial Assistance, for the fiscal years ended August 31, 1996, 1995, and 1994:

- Political activity
- Civil rights
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

The following requirements were determined to be not applicable to its federal financial assistance programs:

- Davis-Bacon Act
- Cash management
- Relocation assistance and real property acquisition
- Federal financial reports

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's (OMB) *Compliance Supplement for Single Audits of State and Local Governments* or alternative procedures. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not

limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 12, 1997

TROUT LAKE SCHOOL DISTRICT NO. 400
Klickitat County, Washington
September 1, 1993 Through August 31, 1996

Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Nonmajor Federal Financial Assistance Program Transactions

Board of Directors
Trout Lake School District No. 400
Trout Lake, Washington

We have audited the financial statements of Trout Lake School District No. 400, Klickitat County, Washington, as of and for the fiscal years ended August 31, 1996, 1995, and 1994, and have issued our report thereon dated March 12, 1997.

In connection with our audit of the financial statements of the district and with our consideration of the district's control structure used to administer its federal financial assistance programs, as required by OMB Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to its nonmajor federal financial assistance programs for the fiscal years ended August 31, 1996, 1995, and 1994. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing allowability of the program expenditures that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the district's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that Trout Lake School District No. 400 had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 12, 1997

TROUT LAKE SCHOOL DISTRICT NO. 400
Klickitat County, Washington
September 1, 1993 Through August 31, 1996

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Board of Directors
Trout Lake School District No. 400
Trout Lake, Washington

We have audited the financial statements of Trout Lake School District No. 400, Klickitat County, Washington, as of and for the fiscal years ended August 31, 1996, 1995, and 1994, and have issued our report thereon dated March 12, 1997.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the district's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated March 12, 1997.

The management of the district is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.
- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the

structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Purchasing and receiving
 - Payroll
 - General ledger
- **General Requirements**
 - Political activity
 - Civil rights
 - Allowable costs/cost principles
 - Drug-Free Workplace Act
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Types of services
 - Eligibility
- **Claims For Advances And Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash receipts
 - Cash disbursements
 - Receivables
 - Accounts payable
 - Inventory control
 - Property, plant, and equipment
- **General Requirements**
 - Davis-Bacon Act
 - Cash management
 - Relocation assistance and real property acquisition
 - Federal financial reports
- **Specific Requirements**
 - Matching, level of effort, earmarking
 - Reporting
 - Special requirements
- **Amounts Claimed Or Used For Matching**

During the fiscal year ended August 31, 1996, the district had no major federal financial assistance programs and expended 79 percent of its total federal financial assistance under the following nonmajor federal financial assistance program: Handicapped, Part B (CFDA 84.027).

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the aforementioned nonmajor program. Our procedures were less in scope than would be necessary to render an opinion on these internal control structures policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

This report is intended for the information of management and the board of directors and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

March 12, 1997